

CREATIVE FINANCING

Strategies for a changing market

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Area Director, Kansas



Committed to the future of rural communities.

Guaranteed RD is #1!

- True 100% loan
- No monthly mortgage insurance (PMI)
- Competitive fixed interest rates
- Not FICO driven: Emerging Markets
- Expanded qualifying ratios
- No maximum purchase price
- NOT just for first time buyers



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Raise your hands

- Increasing interest rates
- Increasing construction costs
- Increasing home prices
- Lower economic conditions



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Promote Innovative Benefits

- Generous income limits
- Downpayment assistance accepted
- Permanent buydowns allowed
- 2-1-0 buydowns allowed
- Creative wealth building options



Generous income limits

Do not miss out on loans because people feel that RD income limits are too low. Train them to be on the lookout for dependents and daycare expenses.



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Guaranteed Loan "Adjusted" Income Limits

County	1	2	3	4	5	6	7	8
Champaign & Piatt	50,400	57,600	64,800	72,000	77,750	83,500	89,300	95,050
Douglas, Edgar, Iroquois, Macon, & Vermillion	48,000	54,850	61,700	68,550	74,050	79,500	85,000	90,500

* Add 8% of a 4 person limit for each person in excess of 8 persons

For more information:

SUSAN PETREA
217-352-3536 ext. 4
 2110 West Park Court, Suite B
 Champaign, IL 61821

EXAMPLE : CHAMPAIGN CO.
Family of 4: 2 kids

Total Gross Household Income:	
Dependents:	
_____ x \$480	
Childcare Expenses:	
Total "ADJUSTED" Income:	

Total Gross Household Income:	\$78,000
Dependents:	- \$960
_____ x \$480	
Childcare Expenses:	- \$5,200
Total "ADJUSTED" Income:	\$71,840 THEY QUALIFY!

Use Total GROSS income to qualify client for house. Revised 10/06

Downpayment Assistance



- Gift funds ☺
- City/county grants
- FHLB DDP
- KHRC

DPA to avoid

AmeriDream,
Genesis, Nehemiah,
Partners In Charity

JUST SAY NO!



Buydowns?

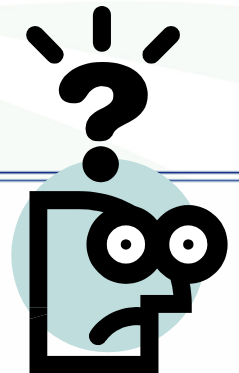
Could you use that in a sentence please?

Buy: “to acquire in exchange for money”

Down: “from a higher to a lower place or position”

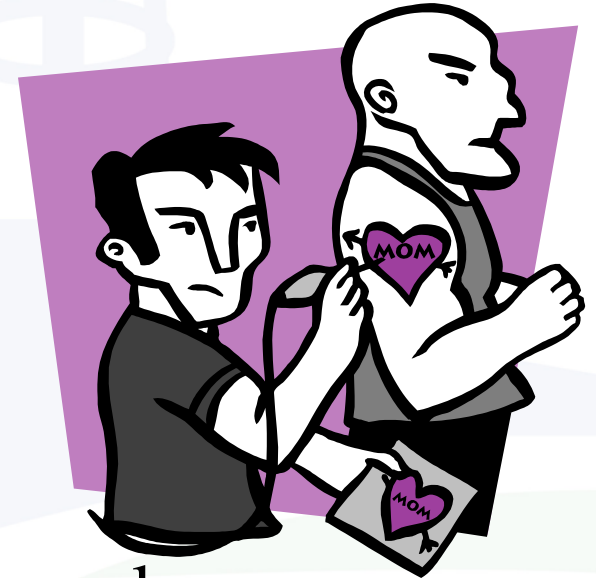


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Permanent Buydown

- Fixed for term of loan
- “Points” pay for the rate
- Seller, buyer, builder, or lender may contribute
- 100% tax deductible
- Qualify for a newer/larger home
- Eligible loan purpose for low income only
Limited to 2% per AN 4134 and AN 4137



The Rate Game

\$120,000 Purchase

Estimated taxes \$200/\$35 insurance



7.125%

\$1,060

6.250%

\$989



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Purchase more home

\$60,000 annual income



7.125% rate: \$150,656

(\$1,307)

6.250% rate: \$164,848

(\$1,345)



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CHASE RURAL HOUSING

Wednesday Nov 08, 2006
Delegated Rate Sheet

9:22 AM

Eastern Time
Page 1 of 1

USDA Guaranteed Rural Housing 30 Year Fixed

	15 day	30 day	45 day	60 day
5.500	2.479	2.542	2.604	2.667
5.875	1.424	1.487	1.549	1.612
6.000	0.564	0.627	0.689	0.752
6.125	0.370	0.433	0.495	0.558
6.250	-0.088	-0.025	0.037	0.100
6.375	-0.210	-0.147	-0.085	-0.022
6.500	-0.975	-0.912	-0.850	-0.787
6.625	-1.064	-1.001	-0.939	-0.876
6.750	-1.417	-1.354	-1.292	-1.229
6.875	-1.430	-1.367	-1.305	-1.242
7.000	-2.092	-2.029	-1.967	-1.904
7.125	-2.092	-2.029	-1.967	-1.904
7.250	-2.343	-2.280	-2.218	-2.155
7.375	-2.343	-2.280	-2.218	-2.155
7.500	-2.468	-2.405	-2.343	-2.280

Product Code 601

USDA Guaranteed Rural Housing 2/1 Buydown

	15 day	30 day	45 day	60 day
6.625	1.686	1.749	1.811	1.874
6.750	1.333	1.396	1.458	1.521
6.875	1.320	1.383	1.445	1.508
7.000	1.158	1.221	1.283	1.346
7.125	0.658	0.721	0.783	0.846
7.250	0.407	0.470	0.532	0.595
7.375	0.407	0.470	0.532	0.595
7.500	0.782	0.845	0.907	0.970

Product Code 602

75 day lock Worsen 60 day YSP .125%

Rural DreaMaker Opportunity 25/30 Yr Fixed, 100% LTV

	15 day	30 day	45 day	60 day
5.875	1.908	1.971	2.033	2.096
6.000	1.495	1.558	1.620	1.683
6.125	1.017	1.080	1.142	1.205
6.250	0.593	0.656	0.718	0.781
6.375	0.222	0.285	0.347	0.410
6.500	-0.011	0.052	0.114	0.177
6.625	-0.371	-0.308	-0.246	-0.183
6.750	-0.674	-0.611	-0.549	-0.486
6.875	-0.921	-0.858	-0.796	-0.733
7.000	-0.939	-0.876	-0.814	-0.751

Product Code 559

75 day lock Worsen 60 day YSP .125%

Rural DreaMaker Quick Guidelines

Income Limits	May Apply
Geographic Restrictions	No
Credit Score Minimum	620
Up to 25% stated income	Yes

Chase Rural Advantage 10/1 ARM 100% LTV

*Please Call for Quotes!

USDA Guaranteed Rural Housing 30 Year and 2/1 Buydown SRP Schedule

SRP is compensation paid to the originator based on loan size.	AK CT IA MO MS MT NC ND NE NJ SD VT WY	AR DE GA KY ID LA NM NY OK OR PA TN TX WV	AL AZ FL HI IL IN KS MD MI NV OH SC VA WI	ME MN NH WA	CA CO MA RI UT
\$95,001 and greater	2.45%	2.35%	2.20%	2.05%	1.95%
\$72,501 - 95,000	2.20%	2.10%	1.95%	1.80%	1.70%
\$67,501 - 72,500	1.90%	1.80%	1.65%	1.50%	1.40%
\$62,501 - 67,500	1.80%	1.70%	1.55%	1.40%	1.30%
\$57,501 - 62,500	1.75%	1.65%	1.50%	1.35%	1.25%
\$52,501 - 57,500	1.70%	1.60%	1.45%	1.30%	1.20%
\$47,501 - 52,500	1.60%	1.50%	1.35%	1.20%	1.10%
\$47,500 and less	None	None	None	None	None

Manufactured Homes - New and eligible ONLY in these states. Worsen SRP .750%

AL AR AZ CA CO IA KY MA ME MI MT NC NH NJ NM NV OH OK OR PA RI TX UT VA WA WI

Cost of 24 month buydown subsidy account is included in pricing. Fully adjusted rate may not exceed GRH Maximum Note Rate. Buyer may not contribute funds towards buydown cost.

GRH Maximum Note Rate: 6.792%

No Reservation of Funds required until further notice. All USDA Offices are accepting files. Chase will continue to purchase all USDA GRH loans, including those approved with language stating the USDA approval is "subject to the availability of funding".

USDA GRH Quick Guidelines

Income Limits	Yes
Geographic Restrictions	Yes
Credit Score Minimum	No
Up to 25% stated income	No

Rural DreaMaker Opportunity SRP Schedule

SRP is compensation paid to the originator based on loan size.	AK AR FL LA MS NC ND OK OR PA SC TN TX	AL GA IA NM NY OH SD VA VT WV	CT DE HI ID IN KS KY MD ME MT NE NJ VA VT WA WY	AZ IL MI MN MO NH UT	CA CO MA NV RI
\$200,001 - and greater	1.60%	1.50%	1.40%	1.30%	1.20%
\$50,001 - \$200,000	1.30%	1.20%	1.10%	1.00%	0.90%
\$50,000 and less	NONE	NONE	NONE	NONE	NONE

Purchase Mortgage Insurance Options	Up-front Contribution	Monthly Factor	Finance Up-Front Into Loan Amount
30 Year Monthly	0.00%	0.58%	N/A
30 Year Split Rate (Credit Scores 680+)	1.25%	0.03%	Yes
30 Year Split Rate (Credit Scores 620-679)	1.50%	0.08%	Yes
30 Year Single Premium (Credit Scores 620+)	2.70%	0.00%	Yes

For Mortgage Insurance on Refinance Transactions:

- * Single Premium is 2.45%
- * Standard Monthly is .53%
- * 30 Year Split Rate (Credit Scores 680+) 100% upfront, & .04% monthly
- * 30 Year Split Rate (Credit Scores 620-679) 1.50% upfront, & .03% monthly

Mortgage Insurance Rates Vary in: NM, & SC.

Delegated Underwriting is not Permitted for Rural DreaMaker Opportunity and Chase Rural Advantage

Loans may be extended 15 days prior to lock expiration. ALL re-locks are subject to the Extension Fee, listed below. Loans re-locked will be subject to worse case pricing PLUS the Extension Fee.

Extension Period and Extension Fee >>>>	1 day	No Cost
Existing Price worsened by cost of Extension Fee	15 days	0.063%
	30 days	0.125%
	45 days	0.188%
	60 days	0.250%

Lock and Registration Desk

Fax Number	954-422-1249
Joy Taylor	954-698-1161
Drew Connolly	954-698-1118
Jannett Garcia	954-698-1129

Lock Expiration Calendar

15 day	Wed, Nov 22
30 day	Thu, Dec 07
45 day	Fri, Dec 22
60 day	Fri, Jan 05

Loans must close and fund by lock expiration date.

Loans must close and fund by lock expiration date.

This information is intended for mortgage professionals only and may not be given to individuals who are entitled to a more complete disclosure under any circumstances. All rates, fees and programs are subject to change without notice.



Buy it down...for good!

6.250%

30 day lock = 1.579% or \$2,602

Lender has options:

- Pay for it out of SRP
- Seller/Builder/Buyer
Concession
- Origination fee



Pay it out of SRP

7.125% YSP: 1.408

+ SRP: 2.20

3.608

\$153,669

x 3.608%

\$5,544

6.250% YSP: (1.579)

SRP: 2.20

.6210

\$168,145

x .6210%

\$1,044



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Seller Concession (2%)

7.125% YSP: 1.408

+ SRP: 2.20

3.608

\$153,669

x 3.608%

\$5,544

6.250% YSP: (1.579)

SRP: 2.20

.6210

\$168,145

x .6210%

\$1,044

+ 3,297 S.C.

\$4,341



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Seller Concession (1.5%) & Origination Fee (1%)

$$\begin{array}{r}
 7.125\% \text{ YSP: } 1.408 \\
 + \quad \underline{\text{SRP: } 2.20} \\
 3.608
 \end{array}$$

$$\begin{array}{r}
 \$153,669 \\
 \times \underline{3.608\%} \\
 \text{\textbf{\$5,544}}
 \end{array}$$

$$\begin{array}{r}
 6.250\% \text{ YSP: } (1.579) \\
 \quad \underline{\text{SRP: } 2.20} \\
 \quad \quad .6210
 \end{array}$$

$$\begin{array}{r}
 \$168,145 \\
 \times \underline{.6210\%}
 \end{array}$$

\$1,044

+ 2,473 S.C.

+ 1,681 O.F.

\$5,198

\$6,022 w/2% S.C.



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MORTGAGE COMPARISON CALCULATOR

[more calculators](#)

Loan Comparison Calculator

	Loan 1	Loan 2	Loan 3	Loan 4
Loan Amount \$	168145	168145	168145	168145
Interest Rate %	7.125	6.250	6.125	6.250
# of Points	0	1.579	2.115	2.00
# of Payments	360	360	360	360
Payment Amount \$	\$1,132.82	\$1,035.30	\$1,021.67	\$1,035.30
Total Interest Paid \$	\$239,671.64	\$204,562.17	\$199,655.03	\$204,562.17
Cost of Points \$	\$0.00	\$2,655.01	\$3,556.27	\$3,362.90
Total Amount Paid \$	\$407,816.64	\$375,362.18	\$371,356.29	\$376,070.07

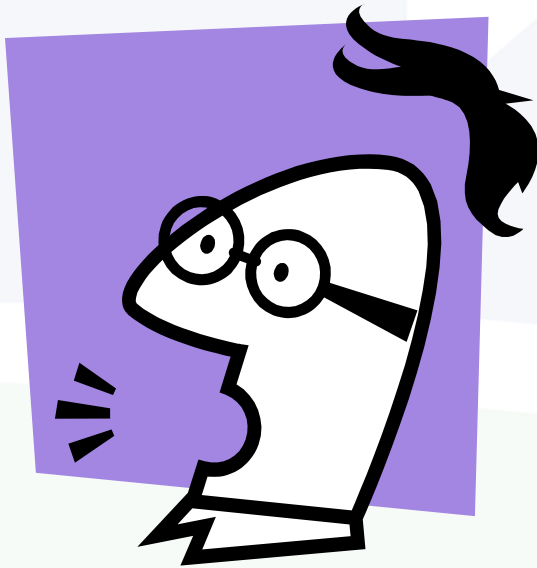
Monthly Payments **\$1,463** **\$1,365** **\$1,352** **\$1,365**

Estimated monthly taxes and insurance of \$330 reflected in payment



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2-1-0 Temporary Buydowns



MAXIMIZE BUYING POWER!!

- **Flexibility of an ARM**
- **Stability of a fixed rate**
- **Seller, Lender, Builder may contribute**
- **100% tax deductible**
- **No recapture**
- **Client may refinance or prepay mortgage at any time**
- **Afford newer/larger home TODAY!**
- **Great strategy for R.E. agents before a price reduction**

AS RATES RISE BUYDOWNS WILL BE IN DEMAND!

How much can it really help?

\$35,000 Income

7.125% = \$94,253

2-1-0 Buydown = \$116,623

2: 1st yr. 5.125% \$880

1: 2nd yr. 6.125% \$955

0: 3rd yr. 7.125% \$1,034

\$154 increase over 3 years

Payments include estimated taxes and insurance of \$235 per month



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Are 2-1-0's for everyone?

Excellent Buydown candidates usually exhibit:

- Job stability/OT/Bonus
- New graduates/Climbers
- Marriage
- Trailing spouse income
- Debt reducers
- **COMFORTABLE CLIENTS**



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Would you agree with the Kansas
Association of Realtors that real
estate in Kansas typically sells for
95-98% list price?



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The “worst case” scenario

Offer full price and ask for the concessions

List price: \$116,500

Offer: \$116,500 with 2.5% concession

Sale Price: \$116,500

-\$2,912 2.5% buydown

\$113,588 “net” sale price to seller

97.5% offer

Listing Presentation sales range:

\$107,180 (92%)- \$114,170 (98%)



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EVERYONE WINS!

In no particular order....



- **Client**
- **Real Estate Agent**
- **Seller**
- **Lender**
- **Appraiser**

How many of your clients:

- Have a large downpayment saved? (5% or more)
- Have great credit: No BK's, collections, foreclosures, etc?
- Have little to no debt?
- Have retirement savings or contribute to a 401(k)?
- Want to pull their downpayment out of their 401(k)?
- Have college funds set up for their children?
- Have savings accounts?
- Have earnest money?



Be a trusted advisor



- \$150,000 purchase
- 10% downpayment saved
- Debts:
 - Car 1: \$250/mo. 6 months left
 - Car 2: \$350/mo. 2 years left
 - Visa: \$5,000
 - Mastercard: \$2,000
 - Old Navy: \$500
 - Fingerhut: \$650
 - Furniture: \$2,500

\$10,650 credit card debt alone!

Which would you choose?

100% Guaranteed

\$150,000 + Guarantee fee, taxes & insurance

\$1,267

- \$15,000 available to pay off debt, save, invest, etc.
- IF we pay off Car 1 and all credit cards they would still have \$2,850 plus \$250 additional monthly income (\$3,000 per year)
- ALL FOR \$26 MORE PER MONTH!

10% Down Conventional

\$150,000 – 10% (\$15,000), taxes & insurance

\$1,241

- \$15,000 is GONE.....
- STILL have over \$20,000 in debt
- Paying over \$80/month PMI



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Put down 5% with RD

$\$150,000 - 5\% (\$7,500) + \text{Guar.fee, tax, \& ins.}$

\$1,219

- \$7,500 left for debt reduction, savings, ER fund, etc.



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Guaranteed financing is

- **Innovative**
- **Creative**
- **Flexible**
- **Profitable**



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FREDDIE MAC 100

\$936

NO PMI LOANS 8% INTEREST RATE 30 YR. TERM

\$925

FREDDIE MAC HOME POSSIBLE/FANNIE MAE MY COMMUNITY

\$906

FLEX 100

\$898

40 YEAR LOAN + MI

\$893

80/20 80% 7% RATE 30 YR TERM 20% 8% RATE 20 YR TERM

\$890

FHA (\$2,350 + UFMIP + MI)

\$887

5% CONVENTIONAL (\$5,000 + MI)

\$885

FLEX 97 (\$3,000 DOWN + MI)

\$876

100% RURAL DEVELOPMENT+ 3% FEE

NO MI

\$876

VA LOAN 2.15% FEE NO MI

\$871

40 year loans???

Conventional 40 yr.

35% PMI

7% rate

\$893

100% Guaranteed

No MI, 2% Fee

7% rate

\$825



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